

1. Goals of the Local Government Purchasing Process

Municipal purchasing has many important similarities to purchasing by any large organization which must adhere to a budget. Because public funds are being spent and because the public has a right to know how the government's business is being conducted, controls are needed:

- to insure that purchasing is carried out according to the priorities of the governing body and the government's administrator, and
- so that budget limits are not exceeded.

To insure that taxpayers are served by a local government that runs efficiently and effectively, purchasing must also obtain the best value for the money spent. These two requirements, that spending be controlled while the best value is obtained, can sometimes conflict. Local officials must bear in mind the need to seek balance in pursuing the following goals, which elaborate on those requirements.

Only needed goods and services should be purchased. There should be a written statement (such as on a purchase request form, or elsewhere) by an authorized person that there is a need for the item(s) or services to be purchased. For small purchases this can be quite informal, and as the amount to be spent increases, the explanation or justification must also become more thorough. Large purchases are often explained and justified as part of the budgeting process.

Purchases should be kept within budgeted limits. When the need for the purchase is stated, the budget account code against which the purchase is to be charged should also be given, along with a statement to the effect that funds are available for this purchase. When requested budget allocations must be reduced during the budget preparation process to balance expenditures with revenues, the administrator needs to notify operating departments of the final approved amounts, since those amounts may limit purchases.

Competitive purchasing should be used as much as possible. Although competitive bidding is specified by the various local government codes, it is wise to use a competitive process even when not required. Experienced municipal officials have learned that businesses "sharpen their pencils" when they learn purchasing is competitive – and the taxpayer benefits from lower prices. Other ways of obtaining competitive prices, such as the Local Piggyback Purchasing Program, are discussed in Chapter 9.

Operating departments should get the supplies and materials they need in a timely manner. While checks and balances are important to safeguard public funds, when purchasing procedures become too cumbersome, public services suffer. And municipal employees may react by buying extra items in advance rather than go through excessive paperwork, with the danger of having parts and supplies on hand for equipment that was disposed of years ago.

Insure that the best value for the money is purchased. If this is to be accomplished, municipal officials must learn what is available on the market to meet their needs, and may need to take extra time to learn this information. Meeting this goal may mean that one brand may be replaced by another that does the job better.

Bills are to be paid only for value received. Most merchants require a signed or initialed delivery ticket before they will leave merchandise with a customer, and many organizations have the employee who takes delivery prepare a similar document called a receiving report. The municipal secretary preparing bills for payment should have a receiving report or delivery ticket (or other assurance) as evidence that the item was actually received before the bill is paid.

Purchases should be timed to fit cash flow constraints. While the adopted budget is the main source of information for approved expenditure levels, operating departments must be made aware that simply because an expenditure is "in the budget" doesn't mean that there will be cash available for the expenditure, especially if

Following the passage of OBRA 1987, which subsequently came to be known as the Nursing Home Reform Act of that same year, and the resulting growing demands upon and increasing complexity of nursing home operations, the Beaver Valley Geriatric Center adopted a DECENTRALIZED MANAGERIAL PHILOSOPHY. This was compelled by the fact that the Center's Administrator and Director of Nursing, the historical decision-makers of the facility, could no longer be expected to fully understand and respond to the individualized needs of its 672 residents and their family members - an OBRA mandate. It was no longer a "one size fits all" nursing home world.

Concurrently, the Center as all other nursing homes, and in fact, all of health care was being required to implement strategies for cost containment. Among the ways to accomplish this, without jeopardizing resident care, was to reduce the size of its administrative staff and to utilize ALL its resources as fully as possible. This included its first line supervisory staff.

The Center's supervisory staff consists of some 30, mostly long-experienced and long-employed, individuals with as many as fifty-plus employees reporting to them and having budgetary responsibilities of up to \$3.2 million. Since the passage of OBRA 1987 and more recently the Balanced Budget Act of 1997 and the resulting increasingly stringent regulations and associated fines and penalties, they have served as the Center's first line of defense as well as consumer-friendly providers to those they serve. They have endured the imposition of a multiplicity of new, often poorly conceived, rules and regulations and have demonstrated consistent loyalty and commitment. In addition to these work roles, they have also served as spouses, parents, homemakers, and in myriad other roles that have strengthened and deepened their skill level. They are capable and resourceful people on whom the Center can and should depend. Anything less would be a flagrant waste of a scarce and valuable resource.

To reinforce the Center's managerial philosophy and the important job of the supervisory staff, the Center granted this group decision - making authority commensurate with its responsibility and accountability. This is a universally acknowledged and recommended managerial principle.

The responsibilities and authorities granted the members of this group include those of hiring, firing, discipline and purchasing. The personnel-related functions are an integral part of the definition of a supervisor as recognized by the National Labor Relations Board. The purchasing function serves the Center's interest by insuring that those persons with the most intimate knowledge of the purpose to which the product or service will be used and will, in turn, be responsible for its cost and effectiveness are involved in that decision. It also provides a valuable way of educating and informing supervisory staff of the various distinct qualities and features distinguishing one seemingly similar item from another and to learn of new products and approaches to problem-solving. This is knowledge gained through experience for which no amount of attendance at costly seminars can be substituted.

These authorities, responsibilities, and accountabilities have strengthened our supervisory staff's entrepreneurial spirit, job satisfaction and are central to the Center's cost-effective and user-friendly operation. DESPITE THE FEW IDENTIFIED DEPARTURES FROM ITS STRICTEST INTERPRETATION, THE CENTER'S MODE OF OPERATION HAS AND CAN CONTINUE TO BE COUNTY-CODE COMPLIANT.

WORKING TOGETHER

Controller, geriatric center on same side

THE ISSUE: *When officials in one office of government scrutinize, closely and legally, the performance of people in another office, too often the result is an unproductive spitting match of one side saying to the other: "My dad can beat up your dad."*

WE SUGGEST: *The Beaver County controller's recent audit of the Beaver Valley Geriatric Center showed such audits indeed can be beneficial, provided the players on each side realize they're not vengeful, wounded players in a hockey game.*

On order from the Beaver County commissioners, County Controller Richard Towcimak took a look at the way administrators at the county's old folks home were handling taxpayers' bucks.

The resulting report wasn't exactly all sunshine and lollipops.

Towcimak's auditors said geriatric center administrators had no formal purchasing policy procedures; administrators failed to get an A-OK approval from commissioners when they made construction project changes; and they were minus any hard and fast procedures, those cumbersome things called checks and balances, to ensure that the stuff ordered was the stuff county honchos actually received.

The two sides, the camp scrutinizing the controller's office and the camp on the receiving end of the scrutiny, behaved admirably — admirably, that is, by comparison, inside a courthouse where elected officials sometimes concern themselves with politics over performance.

Towcimak offered up the words

many a public official loves to hear:

"There was no wrongdoing, any misappropriation, or anything of that nature," Towcimak said.

And from Geriatric Center Director Bill Jubek: "A lot of this was technicalities, but we understand we need to be more attentive to the technicalities."

It sounds as if everyone kissed and made up. And that is how it should be.

In this case, we can't help but commend the county controller and the geriatric center director for the way they mingled. One side found weaknesses, the other side owned up to them. Together, they pledged the energy to fix those failings.

What a concept.

What a system of government: one branch playing guardian angel to the other.

This is how it should be.

Still, we echo old concerns:

The geriatric center is the largest hunk of bureaucracy the county operates. It employs around 700 and accepts about \$36 million from taxpayers to stay alive.

Yet it's been 13 years since commissioners asked the controller to sift through the center's financial file, according to commissioners Chairwoman Bea Schulte. And it's taken commissioners a few more years to realize they needed to reclaim the administrative control they had over the facility.

The county controller's office and the geriatric center bosses seem to have made their peace. The controller's office gently and politely presented its criticisms. The people who run the geriatric center have pledged their desire to do better.

It's a good start.